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HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

華聯國際（控股）有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2024

The board of directors (the “Board”) of Hua Lien International (Holding) Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2024 together with the comparative figures as follow:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June 2024

		Six months ended 30th June	
		2024	2023
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	(3)	87,896	82,396
Cost of sales		(54,214)	(53,268)
Gross profit		33,682	29,128
Changes in fair value of biological assets	(11)	(5,114)	(10,340)
Other income, net		3,582	3,712
Administrative expenses		(19,346)	(12,568)
Other operating expenses	(4)	(3,086)	(877)
Finance costs	(5)	(20,325)	(24,064)
Loss before income tax expense		(10,607)	(15,009)
Income tax expense	(7)	—	—
Loss for the period	(6)	(10,607)	(15,009)

		Six months ended 30th June	
		2024	2023
		(unaudited)	(unaudited)
		HK\$'000	HK\$'000
<i>Notes</i>			
Loss for the period attributable to:			
Owners of the Company		(9,666)	(10,275)
Non-controlling interests		<u>(941)</u>	<u>(4,734)</u>
		<u>(10,607)</u>	<u>(15,009)</u>
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operation		<u>8,028</u>	<u>8,993</u>
Total comprehensive loss for the period		<u>(2,579)</u>	<u>(6,016)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(3,648)	(4,650)
Non-controlling interests		<u>1,069</u>	<u>(1,366)</u>
		<u>(2,579)</u>	<u>(6,016)</u>
		HK Cent	HK Cent
Loss per share	(8)		
— Basic (cents per share)		<u>(0.4411)</u>	<u>(0.4689)</u>
— Diluted (cents per share)		<u>(0.4411)</u>	<u>(0.4689)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2024

		30th June 2024 (unaudited) HK\$'000	31st December 2023 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	(10)	6,061	5,771
Intangible asset		—	—
Right-of-use assets		—	—
Total non-current assets		6,061	5,771
Current assets			
Biological assets — growing cane	(11)	8,670	17,606
Inventories	(12)	48,208	22,394
Trade and other receivables	(13)	2,875	2,836
Bank balances, deposits and cash		35,642	37,464
Total current assets		95,395	80,300
Total assets		101,456	86,071
Current liabilities			
Trade and other payables	(14)	552,764	547,345
Contract liabilities		4,926	10,529
Lease liabilities		1,346	1,457
Amount due to non-controlling interests		623,865	604,559
Total current liabilities		1,182,901	1,163,890
Net current liabilities		(1,087,506)	(1,083,590)
Total assets less current liabilities		(1,081,445)	(1,077,819)
Non-current liabilities			
Lease liabilities		23,195	24,242
Net liabilities		(1,104,640)	(1,102,061)
Capital and reserves			
Share capital		219,118	219,118
Reserves		(1,113,025)	(1,109,377)
Capital deficiency attributable to owners of the Company		(893,907)	(890,259)
Non-controlling interests		(210,733)	(211,802)
Total capital deficiency		(1,104,640)	(1,102,061)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30th June 2024 have been prepared in accordance with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). This should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”).

Going concern basis

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. The Group incurred a consolidated net loss of approximately HK\$10,607,000 during the period (six months ended 30th June 2023: approximately HK\$15,009,000) and as of that date, the Group had net current liabilities and net liabilities of approximately HK\$1,087,506,000 (31st December 2023: approximately HK\$1,083,590,000) and approximately HK\$1,104,640,000 (31st December 2023: approximately HK\$1,102,061,000) respectively. These conditions may cast significant doubt about the Group’s ability to continue as a going concern.

In view of these circumstances and for the purpose of assessing the appropriateness of the use of the going concern basis in the preparation of the unaudited condensed consolidated interim financial statements, the directors have reviewed a cash flow forecast (“Forecast”) covering a period of 12-month. The Forecast had given careful considerations to the future liquidity and performance of the Group and its available sources of finance and also the following measures:

- (a) The substantial shareholder, COMPLANT International Sugar Industry Co., Ltd. (“Complant Sugar”), had granted an irrevocable supplemental undertaking (the “Supplemental Undertaking”) on 22nd December 2023 in favour of the Company. Pursuant to the Supplemental Undertaking, conditional upon the entering into of an agreement for a formal repayment plan, Complant Sugar will not demand repayment of or performance of obligations under the amount payable on demand of HK\$518,099,000 before 31st December 2025 (the “Extended Period”);
- (b) Complant Sugar has undertaken at least for the period of the Forecast to provide continuing financial support and will not recall any of the amounts due to it, until the Group is able to pay its other creditors in the normal course of business, in order to maintain the Group as a going concern; and
- (c) The Company will take the Extended Period to improve the financial performance of the Group to enable the Company to bargain for a more favourable terms when restructuring the liabilities.

Assuming the achieving of the Forecast (which had contemplated the continuing financial support from Complant Sugar remaining intact and its capability of doing so) and the successful implementation of the above measures, the directors were of the opinion that the Group would have sufficient financial resources to finance the operations and meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis notwithstanding that a material uncertainty exists related to the above conditions that may cast significant doubt about the Group’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

1. BASIS OF PREPARATION *(Continued)*

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their net realisable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for biological assets and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30th June 2024 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31st December 2023.

(a) New and amendments to standards adopted by the Group

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to HKFRS 16 (Amendments)	Lease Liabilities in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS (Amendments)	Supplier Finance Arrangements
Hong Kong Interpretation 5 (Revised)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in provision of supporting services and sweetener business and cultivation of sugar cane and manufacturing of sugar. Turnover represents the invoiced value of goods sold to external customers during the period, after allowances for returns and trade discounts. The Group recognised revenue at a point in time.

The Group's reportable and operating segments, based on information reported to the chief executive officer, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Supporting services to sweetener and ethanol business (the "Supporting services");
- Sugar cane growing and sugar manufacturing business (the "Sugar business"); and
- Ethanol biofuel business (the "Ethanol business").

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segments:

	Supporting services (unaudited) HK\$'000	Sugar business (unaudited) HK\$'000	Ethanol business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Six months ended 30th June 2024				
Segment revenue from contracts with customers				
Segment revenue	—	87,896	—	87,896
Inter-segment sales	—	—	—	—
Segment revenue from external customers	—	87,896	—	87,896
Segment results	(612)	(2,541)	(704)	(3,857)
Unallocated corporate expenses, net				(6,750)
Loss before income tax				(10,607)
At 30th June 2024				
Assets and liabilities				
Segment assets	7,094	84,206	1,971	93,271
Corporate and other unallocated assets				8,185
Total assets				101,456
Segment liabilities	9,097	675,883	—	684,980
Corporate and other unallocated liabilities				521,116
Total liabilities				1,206,096

3. TURNOVER AND SEGMENT INFORMATION (Continued)

	Supporting services (unaudited) HK\$'000	Sugar business (unaudited) HK\$'000	Ethanol business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Six months ended 30th June 2023				
Segment revenue from contracts with customers				
Segment revenue	—	82,396	—	82,396
Inter-segment sales	—	—	—	—
Segment revenue from external customers	—	82,396	—	82,396
Segment results	881	(16,748)	789	(15,078)
Unallocated corporate income, net				69
Loss before income tax				(15,009)
At 31st December 2023				
Assets and liabilities				
Segment assets	7,210	63,748	5,940	76,898
Corporate and other unallocated assets				9,173
Total assets				86,071
Segment liabilities	9,072	659,333	—	668,405
Corporate and other unallocated liabilities				519,727
Total liabilities				1,188,132

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent results of each segment without allocation of central administration costs, directors' remuneration, interest income and finance costs. This is the measure reported to the chief executive officer with respect to the resource allocation and performance assessment.

3. TURNOVER AND SEGMENT INFORMATION (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segment, other than certain bank balance and cash of head office.
- All liabilities are allocated to operating segments, other than other payables and accrued liabilities of head office.

Other reportable segment information

Six months ended 30th June 2024	Supporting services (unaudited) HK\$'000	Sugar business (unaudited) HK\$'000	Ethanol business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Amounts included in the measure of segment result for segment assets:				
Additions to property, plant and equipment	—	3,125	—	3,125
Depreciation	—	1,212	—	1,212
Impairment loss on property, plant and equipment	—	1,499	—	1,499
Impairment loss on trade receivables	332	—	—	332
Write-down on inventory of spare parts for property, plant and equipment	—	1,255	—	1,255
	<u>—</u>	<u>1,255</u>	<u>—</u>	<u>1,255</u>
Six months ended 30th June 2023	Supporting services (unaudited) HK\$'000	Sugar business (unaudited) HK\$'000	Ethanol business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Amounts included in the measure of segment result for segment assets:				
Additions to property, plant and equipment	—	2,125	—	2,125
Depreciation	—	1,095	2	1,097
Impairment loss on property, plant and equipment	—	768	—	768
Impairment loss on trade receivables	109	—	—	109
	<u>109</u>	<u>—</u>	<u>—</u>	<u>109</u>

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographic Information

Revenue from external customers

	Six months ended 30th June	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Jamaica	87,896	82,396
The United States	—	—
	<u>87,896</u>	<u>82,396</u>

The revenue information from operations above is based on the location of the customers.

Non-current assets

	30th June	31st December
	2024	2023
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Jamaica	6,054	5,764
The People's Republic of China	7	7
African Countries	—	—
	<u>6,061</u>	<u>5,771</u>

The non-current assets information is based on the location of assets.

4. OTHER OPERATING EXPENSES

	Six months ended 30th June	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Impairment loss on property, plant and equipment	1,499	768
Write-down on inventory of spare parts for property, plant and equipment	1,255	—
Impairment loss on trade receivables	332	109
	<u>3,086</u>	<u>877</u>

5. FINANCE COSTS

	Six months ended 30th June	
	2024	2023
	(unaudited) HK\$'000	(unaudited) HK\$'000
Interest on amounts due to non-controlling interests	11,590	11,514
Interest on lease liabilities	974	981
Exchange loss on amount due to non-controlling interests	<u>7,761</u>	<u>11,569</u>
	<u><u>20,325</u></u>	<u><u>24,064</u></u>

6. LOSS FOR THE PERIOD

	Six months ended 30th June	
	2024	2023
	(unaudited) HK\$'000	(unaudited) HK\$'000
Loss for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	54,214	53,268
Write-down on inventory of spare parts for property, plant and equipment	1,255	—
Depreciation of property, plant and equipment	1,212	1,097
Short-term leases expenses	283	333
Loss on disposal of property, plant and equipment	<u>74</u>	<u>16</u>

7. INCOME TAX EXPENSE

No provision for income tax has been made in the unaudited condensed consolidated interim financial statements as the Company and its subsidiaries have no assessment profits or there is no taxation in relevant jurisdictions where they operate.

8. LOSS PER SHARE

The calculation of basic loss per share was based on the consolidated loss for the period attributable to equity holders of the Company of approximately HK\$9,666,000 (six months ended 30th June 2023: approximately HK\$10,275,000), and the weighted average number of 2,191,180,000 (30th June 2023: 2,191,180,000) ordinary shares in issue during the period.

No diluted earnings per share is calculated for both the six months period ended 30th June 2024 and 30th June 2023 as there was no potential diluted ordinary share in existence.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period ended 30th June 2024 (six months ended 30th June 2023: Nil).

10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$3,125,000 (six months ended 30th June 2023: approximately HK\$2,125,000) on acquisition of property, plant and equipment.

11. BIOLOGICAL ASSETS — GROWING CANE

	30th June 2024 (unaudited) HK\$'000	31st December 2023 (audited) HK\$'000
Opening balance	17,606	17,975
Cane cultivation cost capitalised	33,053	57,929
Decrease in fair value of cane harvested	(36,666)	(36,855)
Change in fair value	(5,114)	(21,129)
Exchange realignment	(209)	(314)
	<hr/>	<hr/>
Closing balance	<u>8,670</u>	<u>17,606</u>

The decrease in fair value of growing cane for the period ended of approximately HK\$5,114,000 (six months ended 30th June 2023: approximately HK\$10,340,000) was reflected in the profit or loss.

12. INVENTORIES

	30th June 2024 (unaudited) HK\$'000	31st December 2023 (audited) HK\$'000
Consumables and components	45,913	46,064
Good in transit	15	463
Sugar and molasses	30,987	3,592
	<hr/>	<hr/>
	76,915	50,119
Write-down	(28,707)	(27,725)
	<hr/>	<hr/>
Net realisable value	<u>48,208</u>	<u>22,394</u>

12. INVENTORIES (Continued)

At 30th June 2024, the sugar and molasses consisted of 5,089 tonnes (31st December 2023: 278 tonnes) of raw sugar and 37 tonnes (31st December 2023: 1,446 tonnes) of molasses with carrying amounts of approximately HK\$30,951,000 (31st December 2023: approximately HK\$2,163,000) and HK\$36,000 (31st December 2023: approximately HK\$1,429,000) respectively.

During the period ended 30th June 2024, there was write-down of inventories of HK\$1,255,000 (six months ended 30th June 2023: HK\$ Nil) for consumables and components related to property, plant and equipment. Movement in write-down of consumables and components during the period/year was as follows:

	30th June 2024 (unaudited) HK\$'000	31st December 2023 (audited) HK\$'000
At the beginning of the period/year	27,725	28,217
Write-down on inventory of spare parts for property, plant and equipment	1,255	—
Exchange realignment	(273)	(492)
At the end of period/year	<u>28,707</u>	<u>27,725</u>

13. TRADE AND OTHER RECEIVABLES

	30th June 2024 (unaudited) HK\$'000	31st December 2023 (audited) HK\$'000
Trade receivables	47,755	47,435
Less: Impairment loss	(46,080)	(46,051)
	1,675	1,384
Prepayments	578	671
Other receivables and deposits	622	781
	<u>2,875</u>	<u>2,836</u>

The Group does not hold any collateral over these balances.

13. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows a credit period of 90-365 days (31st December 2023: 90-365 days) to its customers of Supporting services, 30 days (31st December 2023: 30 days) to customers of raw sugar trading and 60 days (31st December 2023: 60 days) to customers of molasses trading. The following is an ageing analysis of trade receivables presented based on the invoice date and prior to impairment loss at the end of the reporting period are as follows:

	30th June 2024 (unaudited) HK\$'000	31st December 2023 (audited) HK\$'000
0 – 30 days	13	752
31 – 60 days	583	230
61 – 90 days	1,048	22
91 – 365 days	20	34
> 365 days	46,091	46,397
	47,755	47,435

The other classes within trade and other receivables do not contain impaired assets.

The Group recognised impairment loss based on the accounting policy for the period and year ended 30th June 2024 and 31st December 2023 respectively

14. TRADE AND OTHER PAYABLES

	30th June 2024 (unaudited) HK\$'000	31st December 2023 (audited) HK\$'000
Trade payables	5,336	5,585
Other payables and accrued liabilities	547,428	541,760
	552,764	547,345

Trade payables credit period granted by trade creditors of Supporting services is 0-365 days (31st December 2023: 0-365 days) while credit period granted by trade creditors of Sugar business is 30 days (31st December 2023: 30 days).

14. TRADE AND OTHER PAYABLES (Continued)

The following is an analysis of trade payables by age based on due date.

	30th June 2024 (unaudited) HK\$'000	31st December 2023 (audited) HK\$'000
Not yet due	98	1,133
Overdue 1 – 90 days	4,605	2,821
Overdue 91 – 180 days	261	152
Overdue 181 – 365 days	—	1,126
Overdue > 365 days	372	353
	<u>5,336</u>	<u>5,585</u>

The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

As at 30th June 2024 and 31st December 2023, included in other payables and accrued liabilities of was as amount due to Complant Sugar of approximately HK\$518,099,000 upon the maturity of the convertible notes on 27th February 2019. The amount due was unsecured, interest-free and repayment on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERALL PERFORMANCE

For the six months ended 30th June 2024, the turnover of the Group increased by approximately 6.7% to approximately HK\$87.9 million (six months ended 30th June 2023: approximately HK\$82.4 million).

The amount of overall gross profit for the period increased by approximately HK\$4.6 million to approximately HK\$33.7 million (six months ended 30th June 2023: approximately HK\$29.1 million) and the overall gross profit percentage increased by about 3.0% to approximately 38.3% (six months ended 30th June 2023: approximately 35.3%). As further elaborated below, such increase of gross profit in amount and percentage was mainly due to the increase in the average selling prices.

The loss for the period decreased by approximately HK\$4.4 million to approximately HK\$10.6 million (six months ended 30th June 2023: approximately HK\$15.0 million). As further elaborated below, the decrease in loss before taxation was mainly due to the net combined effect of positive impacts and negative impact and the positive impacts which included: (i) an increase in gross profit of approximately HK\$4.6 million owing to the approximately 3.0% increase in gross margin from the increase in average selling prices of raw sugar and molasses; (ii) a decrease of loss on fair value of biological assets of approximately HK\$5.2 million as a result of increase in expected raw sugar and molasses prices. (iii) a decrease of approximately HK\$3.7 million in finance cost mainly by virtue of the approximately HK\$3.8 million decrease in unrealised foreign exchange loss during the period, as well as the negative impacts which included; (iv) a decrease in other income of approximately HK\$0.1 million mainly from the decrease in scrap metal sales; (v) an increase in administrative expenses of approximately HK\$6.8 million mainly as a result of the approximately HK\$5.0 million increase in legal and financial advisory fees for dealing with the mandatory general offer and the raise in factory security fee of HK\$1.9 million from wage hike; and (vi) an increase in other expense of approximately HK\$2.2 million for the increase in impairment loss of approximately HK\$0.7 million for bearer plant, impairment loss of approximately HK\$0.2 million for account receivables and write- down of approximately HK\$1.3 spare part of property plant and equipment.

Basic loss per share for the period was approximately HK0.41 cent (six months ended 30th June 2023: approximately HK0.47 cent).

The Directors do not recommend the payment of interim dividends for the six months ended 30th June 2024 (six months ended 30th June 2023: Nil).

Sugar Cane Growing and Sugar Manufacturing Business in Jamaica

Business review

The Joyful Right Limited is the holding company of Pan-Caribbean Sugar Company Limited (“PCSC”) which has operated the three sugar estates, namely Bernard Lodge Sugar Estate, Monymusk Sugar Estate and Frome Sugar Estate and two sugar factories, namely Monymusk Sugar Factory and Frome Sugar Factory in Jamaica since 15 August 2011, a 70% indirectly owned subsidiary of the Company, together called “Joyful Right Group”. Due to the severe business environment for the sugar cane growing and sugar manufacturing business in Jamaica, the Group has suspended certain agricultural and factory operations that are under serious loss since June 2016, which include two sugar estates of Bernard Lodge Sugar Estate and Monymusk Sugar Estate as well as one sugar factory of Monymusk Sugar Factory. Joyful Right Group resumed the operation of Monymusk Sugar Factory in year 2018 and suspended again the operation in year 2019 and continues to operate the Frome Sugar Estate and Frome Sugar Factory. The following analysis of sugar cane growing and sugar manufacturing business in Jamaica is based on Joyful Right Group.

For the turnover, Joyful Right Group recorded a turnover of approximately J\$1,757.9 million (approximately HK\$87.9 million) for the six months ended 30th June 2024 (six months ended 30th June 2023: approximately J\$1,612.4 million (approximately HK\$82.4 million)). Joyful Right Group sold approximately 6,251 tonnes of raw sugar amounting to approximately J\$1,390.9 million (approximately HK\$69.5 million) and approximately 10,509 tonnes of molasses amounting to approximately J\$366.9 million (approximately HK\$18.3 million) for the six months ended 30th June 2024 compared with approximately 6,270 tonnes of raw sugar amounting to approximately J\$1,305.4 million (approximately HK\$66.7 million) and approximately 10,900 tonnes of molasses amounting to approximately J\$307.0 million (approximately HK\$15.7 million) for the same period last year.

The above approximately 6.7% increase in total revenue was mainly contributing from the approximately J\$145.4 million (approximately HK\$5.5 million) increase in raw sugar and molasses revenue. The increase in raw sugar and molasses revenue was the combined result of the approximately 4.6% and approximately 21.3% increase in average selling price of raw sugar and molasses respectively and of the approximately 0.3% and approximately 3.6% decrease in sales volume of raw sugar and molasses respectively. On the price side, the approximately 4.6% and approximately 21.3% increase in average price of raw sugar and molasses was mainly due to the fall in world sugar output of the key sugar producing countries like the spreading a fungus crop disease in India and high crude prices benefited ethanol prices and prompted the world’s sugar mills to divert more cane crushing toward ethanol production rather than sugar, thus curbing sugar supplies. On the volume side, there was no material change in sale volume of raw sugar as compared with the same period last year, on the other hand, the approximately 3.6% decrease in molasses was resulting from approximately 500 tonnes (approximately 5.2%) decrease in production output of molasses.

Joyful Right Group produced approximately 11,100 tonnes of raw sugar and approximately 9,100 tonnes of molasses for the six months ended 2024 by crushing input of sugar cane of approximately 176,200 tonnes as compared with approximately 10,800 tonnes of raw sugar and approximately 9,600 tonnes of molasses for the six months ended 2023 by crushing input of sugar cane of approximately 165,800 tonnes. The approximately 280 tonnes (approximately 2.6%) increase in production volume of raw sugar and approximately 500 tonnes (approximately 5.2%) decline in production volume in molasses. The reason for the increase in raw sugar is that the input of sugarcane increased by about 10,400 tons (about 6.3%), so the total raw sugar output also increased accordingly; The reason for the decrease in molasses production is that the lower quality of sugarcane has lesser sugar content as well as the improvement in crystallization process during the pressing process which fostered more sugar juice converted into crystallized raw sugar that resulted in a corresponding decrease in the amount of molasses as a by-product. The increase in sugar cane input was bought by increased by approximately 12,300 tonnes in sugar cane supplied by our self-owned Frome Sugar Estate resulting from the approximately 350 hectares of new planted farmland which partly set off by decreased of approximately 1,900 tonnes supplied by external cane farmers. The decrease in supply from sugar cane farmers was bought by the scarcity of sugar cane cutters and the rising prices of fertilizers and pesticides have greatly reduced the incentive for their investment in farm operation which caused the decrease in supply.

The table below shows geographical analysis of turnover of sugar and molasses.

	Six months ended 30th June					
	2024			2023		
	<i>J\$'million</i>	<i>HK\$'million</i>	<i>% of Turnover</i>	<i>J\$'Million</i>	<i>HK\$'million</i>	<i>% of Turonver</i>
By region						
Jamaica	1,757.9	87.9	100.0	1,612.4	82.4	100.0
United States	—	—	—	—	—	—
	<u>1,757.9</u>	<u>87.9</u>	<u>100.0</u>	<u>1,612.4</u>	<u>82.4</u>	<u>100.0</u>

Jamaica remains the principal market for Joyful Right Group. The domestic sales in Jamaica accounted for 100.0% (six months ended 30th June 2023: approximately 100.0%) of total sales and the export to United States accounted for approximately 0.0% (six months ended 30th June 2023: approximately 0.0%). The change in sales mix was mainly due to the effect of reduction in competition from the closure of more sugar mills in Jamaica (like Golden Grove Factory in 2019 and Appleton Estate Sugar Factory in 2020). This reduction in competition resulted in the decrease in supply that contributed to the rise in sales volume of the domestic sales in Jamaica. Furthermore, the average selling price in Jamaica for this period was still higher than that in international markets. As production output fell by, the raw sugar produced during the period was only sufficient to fulfill the demand of local market in Jamaica and there is no excess surplus for export to United States during the period under review.

In terms of gross trading results, the Joyful Right Group recorded a gross profit of approximately J\$673.6 million (approximately HK\$33.7 million) for the six months ended 30th June 2024 (six months ended 30th June 2023: approximately J\$570.0 million (approximately HK\$29.1 million)). The increase in amount of gross profit of approximately J\$103.6 million (approximately HK\$4.6 million). The gross profit ratio is increased by approximately 3.0% to approximately 38.3% for the six months ended 30th June 2024 as compared with approximately 35.3% for the same period last year. The approximately 3.0% increase in gross profit percentage during the period was mainly because the approximately 4.6% and approximately 21.3% respective increase in average selling prices of raw sugar and molasses.

In term of net operation results, this segment recorded a net loss of approximately J\$57.8 million (approximately HK\$2.5 million) for the six months ended 30th June 2024 (six months ended 30th June 2023: approximately J\$314.0 million (approximately HK\$16.7 million)). The approximately J\$256.2 million (approximately HK\$14.2 million) decrease in net loss was mainly due to combined effect of following positive impacts and negative impacts.

Those positive impacts on net operation results included the (i) an increase in gross profit of approximately J\$146.5 million (approximately HK\$6.7 million) owing to the approximately 3.0% increase in gross margin from the increase in average selling prices of raw sugar and molasses; (ii) a decrease of loss on fair value of biological assets of approximately J\$100.1 million (approximately HK\$5.2 million) as a result of increase in expected raw sugar and molasses prices; (iii) a decrease of approximately J\$138.8 million (approximately HK\$7.5 million) in finance cost mainly by virtue of the decrease in unrealised foreign exchange loss during the period.

Those negative impacts on net operation results included the (iv) an decrease of other income of approximately J\$0.8 million (approximately HK\$0.1 million) mainly from decrease in sales of scrap metal; (v) the increase in other expenses of approximately J\$46.4 million (approximately HK\$2.3 million) for the increase in impairment loss of bearer plant and write-down on spare parts for property plant and equipment; (vi) an increase in administrative expenses of approximately J\$82.0 million (approximately HK\$2.8 million) mainly resulting from increase in factory and farm security fee. Starting from April 2023, security companies in Jamaica is required to made social security provident funds contribution, such cost pass-through had resulted in an approximately 48.4% increase in factory and farm security fees for the period.

Supporting services to sweetener and ethanol business

Business review

The turnover from customers outside the Group for the six months ended 30th June 2024 was HK\$ Nil (six months ended 30th June 2023: HK\$ Nil). The reason for no revenue during the six months ended 30th June 2024 was because the three years annual cap for the continuing connected transactions from 2019 to 2021 was voted down by independent shareholders on extraordinary general meeting held on 31st May 2019, the supporting services business segment cannot carry out any continuing connected transaction with its customers who presently are all connected parties, therefore, the supporting services business segment does not record any segment revenue during the six months ended 30th June 2024.

The gross profit for the six months ended 30th June 2024 was also HK\$ Nil (six months ended 30th June 2023: HK\$ Nil). The gross profit ratio after elimination of inter-segment sales was HK\$ Nil (six months ended 30th June 2023: HK\$ Nil). There was no gross profit because of no turnover from customers outside the Group as explained above.

The net operating loss of this segment for the six months ended 30th June 2024 was of approximately HK\$0.6 million (six months ended 30th June 2023: the net operating profit of approximately HK\$0.8 million). The net operating loss for the six months ended 30th June 2024 was mainly due to the net exchange loss on the translation of foreign currencies.

Ethanol Business

Business review

Reference is made to the announcement of the Company dated 3rd March 2014 in relation to the impairment losses on ethanol biofuel business in Benin. Terms used in this announcement shall have the same meanings as those defined in the announcement dated 3rd March 2014 unless otherwise defined herein.

The ethanol operation in Benin is operated by Compagnie Beninoise De Bioenergie SA (“CBB”), a company incorporated under the Republic of Benin with limited liability and is a 90% indirectly owned subsidiary of the Company. The construction of ethanol plant of CBB continues to suspend during the period because Benin Government is still unable to execute the Leased Land provision in the Cooperation Agreement and Leased Land is still unavailable for CBB for cultivation of cassava and/or sugar cane to supply raw materials of its production of bioethanol. Construction works were still under suspension pending for appropriate alternate business plan.

The net operating loss of this segment for the six months ended 30th June 2024 was of approximately HK\$0.7 million (six month ended 30th June 2023: the net operating profit of approximately HK\$0.8 million). The net operating loss for the six months ended 30th June 2024 was due to the net exchange loss on the translation of foreign currencies.

FINANCIAL REVIEW

Liquidity and Financial Resources Review

Equity

As at 30th June 2024, the Company had 2,191,180,000 outstanding ordinary shares of HK\$0.1 each (31st December 2023: 2,191,180,000 shares).

Capital deficiency attributable to owners of the Company as at 30th June 2024 amounts to approximately HK\$893.9 million (31st December 2023: approximately HK\$890.3 million).

Borrowings

As at 30th June 2024, the Group's Hong Kong total borrowing (that consisted of amount payable on demand to Complant Sugar, amounts due to non-controlling interests and lease liabilities) of approximately HK\$1,166.5 million (31st December 2023: approximately HK\$1,148.4 million), of which HK\$518.1 million (31st December 2023: HK\$518.1 million) was the amount payable on demand to Complant Sugar, approximately HK\$623.9 million (31st December 2023: approximately HK\$604.6 million) was the amounts due to non-controlling interests and an approximately HK\$24.5 million (31st December 2023: approximately HK\$25.7 million) was the lease liabilities.

Gearing

As the shareholder's equity attributable to owners of the Company was a deficiency of approximately HK\$893.9 million ((31st December 2023: approximately HK\$890.3 million), the calculation of gearing ratio as at 30th June 2024 and 31st December 2023 were inappropriate.

Financial Resources

Bank deposits and cash balances as at 30th June 2024 amounted to approximately HK\$35.6 million (31st December 2023: approximately HK\$37.5 million), mainly denominated in Hong Kong Dollars, US Dollars and Jamaican dollars. The bank balances were placed in short term deposits with major banks in Hong Kong and Jamaica. The Bank deposits and cash balances decreased by approximately HK\$1.9 million, of which (i) the net cash outflow from operating activities of approximately HK\$9.9 million; (ii) the net cash used in investing activities of approximately HK\$3.1 million; (iii) the net cash inflow from finance activities of approximately HK\$6.4 million; and (iv) net positive effect of exchange rate change on cash and cash equivalents of approximately HK\$4.7 million.

In view of net loss and capital deficiency positions of the Group, the management had implemented the measures, among others, to secure a letter of support from Complant Sugar not to recall any of the amount due to it until the Group is able to pay its other creditors in the normal course of business as well as to carry out various cost control measures and budgetary controls in order to mitigate the Group's liquidity pressure and to improve the conditions of cash flow. In light of such implemented measures and the Group's cash flow projections, the management and also the Board were satisfied that the Group's ability to continue to finance its business operations with the internally generated finance resources.

Treasury Policies

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control credit risk to lower the risk of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. The Group did not use any derivative financial instruments to hedge for its risk exposure during the period ended 30th June 2024.

Foreign Exchange Exposure

The Group's operates in Jamaica and African countries, China and Hong Kong. During the period ended 30th June 2024, turnover was denominated mainly in US dollar and Jamaican dollar while its costs and expenses were primarily in Jamaican dollar and US dollar where the Group's continuing operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged. In addition, the main operational assets of the Group are located and denominated in local currencies in Jamaica and African countries while the Group's reporting currency is in Hong Kong dollar. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.

The Group did not enter into any arrangements or financial instruments for the purpose of hedging against the potential foreign exchange risks during the period under review. In the event that Jamaican dollar were to depreciated substantially against US dollar, the risk can be mitigated by increasing the sales denominated in US dollar. As for the operational assets of the Group, any foreign exchange losses due to translation of the carrying value of the assets to the Group's reporting currency on reporting dates are unrealised and non-cash in nature. As such, active hedging activities are not considered warranted. Nonetheless, management will monitor closely its foreign currency exposure to ensure appropriate measures are taken promptly against any significant potential adverse impact.

Pledge of assets

As at 30th June 2024 and 31st December 2023, the Group did not have any pledge of assets.

Capital Commitment

As at 30th June 2024 and 31st December 2023, the Group did not have any significant capital commitments.

EMPLOYEE REMUNERATION POLICY

Remuneration policies

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, provident funds and share options to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the period under review was approximately HK\$29.9 million (six months ended 30th June 2023: approximately HK\$26.9 million), of which, approximately HK\$29.3 million (six months ended 30th June 2023: approximately HK\$26.3 million) was the total staff cost expense in sugar cane growing and sugar manufacturing business in Jamaica. The increase in staff cost was mainly resulting from an approximately 25.3% increase in minimum wage in Jamaica.

As at 30th June 2024, the Group had 128 full time employees (31st December 2023: 142) and 491 temporary employees (31st December 2023: 522).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries, associates or jointly-controlled entities during the period under review.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Reference is made to the announcement made by the Company dated 1st February 2010 and definitions of this announcement are adopted herein, there is no new progress for the MOU signed by the Company and CADFund on 31st January 2010 in respect of the Possible Transactions during the period under review.

Except that, the Group had no other future plans for material investments and capital assets during the period under review.

SIGNIFICANT INVESTMENTS HELD

The Group had not made any significant investment during the period ended 2024 and 2023.

PROSPECTS

Sugar business segment

The International sugar prices are foreseen to fall from the current high levels amid an improvement in global export availabilities and to increase in forecasted output in India and Brazil. Since Joyful Right Group will continue to focus on fulfilling local demand in Jamaica first. As Joyful Right Group does not intend to carry out export business in 2024, and Jamaican Government strictly limits the amount of import of raw sugar to protect the local sugar industry. Therefore, the decline in sugar prices in the international market has not affected the local market. Locally, after re-negotiation with the Sugar Administration and other sugar factories in Jamaica, the sales price in Jamaica will further raise again in August 2024 to cope with increase in production cost including the further increase in labour cost with the new minimum wage effective from June 2024.

Jamaica was hit by Hurricane Beryl in July 2024. The hurricane level was Category 4, the hurricane eye moved at a speed of 30 km/h, and the maximum wind speed was 250 km/h (equivalent to Category 14 wind force), it has caused damage to sugarcane in way of breaking the stalk by the strong wind and the reduced the metabolism on leaf photosynthesis by the rainstorm and resulting flooding in the sugar cane field. Such damaged to sugar cane will reduce the revenue and gross profit for second half of 2024.

The Jamaican government will continue to provide support local sugar industry. The main aspects are as follows: (i) providing road maintenance in sugarcane fields yearly; (ii) strictly restricting the raw sugar import to Jamaica to protect the local sugar industry; (iii) providing sugar cane freight subsidies to some specified sugar cane farmers to support their delivery of their sugarcane to sugar mills process; and (iv) maintaining the Caribbean Sugar Alliance, countries in the Caribbean should be given priority to importing sugar from other sugar-producing countries in the region which is maintaining a protected market places among member countries.

On aspect of factory operation, the maintenance work of factories and agricultural machinery and equipment will enhance to reduce equipment failures in the crushing season, and ensure the continuous operation of the factory to improve raw sugar and molasses output. While, on aspect of agricultural operation, the field management of the farm will enhance to improve the quality and quantity of sugar cane. It includes the grass control, formulating a sugarcane cutting plan and recruiting suitable sugar cane cutting workers in advance to ensure that sugar cane can be harvested timely and provide a constant and steady supply to the factory for processing in the cropping season.

Supporting service segment

The Group expects that Sino-Africa Technology & Trading Limited will continue to suspend those continuing connected transactions with connected parties in second half of 2024.

The supporting service segment will continue to control the cash outflows through maintaining key employee in concurrent post and keeping a small office.

Ethanol business segment

For the Group's ethanol biofuel business, the construction of ethanol plant will continue to suspend in second half of 2024, pending for appropriate alternate business plan for this operation.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June 2024, the Company has complied with the code provisions of the Corporate Governance Code as set out in the Appendix 14 to the Rules Governing the Listing of Securities (the "Code"), except for the following deviation: –

Code Provision C.1.8

Under the code provision C.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company is still in the process of obtaining insurance proposal from the insurers with intent to purchase the relevant liability insurance for Directors within 2024.

Code Provision C.2.1 and C.2.4

Under the code provision C.2.1, the roles of chairman and chief executive officer (the "CEO") should be separate people and should not be performed by the same individual. The divisions of responsibilities between the chairman and CEO should be clearly established and set out in writing. Under the code provision C.2.4, the chairman should provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner.

The Company segregates the role of Chairman from the Managing Director who also assumes the responsibilities of chief executive officer. Mr. Liaw Yuan Chian was the Managing Director till his resignation on 16th December 2010. The Company has not refilled these positions yet that calls for an exhaustive scrutiny in the selection. The Board considered the balance of power between the Board members and the balance of authority between the Board and the management have not been impaired after the resignation of the Managing Director, given that about half of the Board members are independent non-executive and a clear division of responsibilities are in place for the running of the business of the Group. The Company remains structured to ensure appropriate segregation of duties so that power is not concentrated in any one individual.

Code Provision C.1.6

Under the code provision C.1.6, independent non-executive Directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and development a balanced understanding of the views of shareholders. Due to other business engagements, the independent non-executive directors of Mr. Cheng Tai Kwan Sunny and Dr. Lu Heng Henry did not attend the annual general meeting held on 27th June 2024.

Code Provision F.2.2

Under the code provision F.2.2, the chairman of the Board should attend the annual general meeting. Mr. Zhang Zhaogang, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 27th June 2024 due to another business engagement.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's Audit Committee has reviewed the unaudited consolidated interim financial statements for the six months ended 30th June 2024. The audit committee is of the view that the unaudited consolidated interim results for the six months ended 30th June 2024 was prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

The unaudited consolidated interim financial statements for the six months ended 30th June 2024 was also approved by the Board on 30th August 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of Hong Kong Exchange and Clearing Limited (www.hkexnews.hk) and the Company (<http://www.irasia.com/listco/hk/hualien>). The 2024 interim report of the Company will be despatched to the shareholders of the Company and will be available on both websites in due course.

By order of the Board
Hua Lien International (Holding) Company Limited
Zhang Zhaogang
Chairman

Hong Kong, 30st August 2024

As at the date of this announcement, the executive Directors are Mr. HAN Hong, Mr. WANG Zhaohui and Mr. ZHANG Qi; the non-executive Directors are Mr. ZHANG Zhaogang and Ms. CHEN Si; and the independent non-executive Directors are Mr. CHENG Tai Kwan Sunny, Mr. SHI Zhu and Dr. LU Heng Henry.

** For identification purpose only*